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UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service
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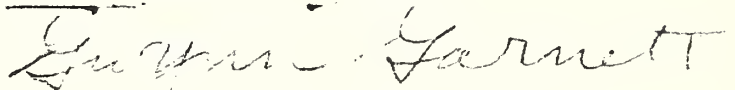
August 25, 1955

The attached material has been developed for the use of U. S. personnel abroad.

We have been told from time to time by people from foreign countries that politically formulated U.S. price supports were responsible for the world's surplus of agricultural products; that the U.S. was embarking on a program of "dumping" its surpluses on foreign markets; that the U.S. prohibits imports of agricultural products from other countries; and other allegations that U.S. agricultural policy is not in accord with good international relations. Actually, U. S. farmers and farm organizations have been among the strongest and most influential supporters of a U.S. foreign economic policy that benefits trade at home and abroad.

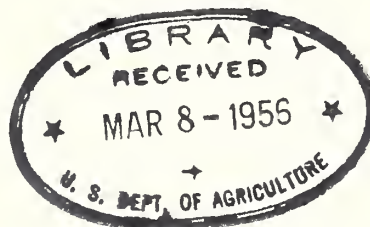
These brief statements should help recall facts to support the position of the U.S. agricultural community with respect to international relations. If additional information is desired we will be pleased to supply it.

Sincerely yours,



Gwynn Garnett
Administrator

Attachment



AMERICAN AGRICULTURE AND U.S. FOREIGN RELATIONS

American farmers from the days of the colonies have had a strong interest in international relations. During the recent war and postwar years, American agriculture had a very favorable effect on U.S. foreign relations and has been praised for greatly expanding production to feed and clothe a hungry world.

The past history of U.S. agriculture and its effect on U.S. foreign relations is one in which Americans can take pride.

The impact of U.S. agriculture on U.S. foreign relations needs to be put in perspective. In the period from World War II until 1952, U.S. domestic farm prices generally were above the support level. The prices were pushed above these levels largely by export demands. Under free market price stimulation, created largely by foreign demand induced by conditions growing out of the war, U.S. production was increased by about 40 percent in the period 1940 to 1952. Annual exports reached a high of 475 million bushels of wheat, 5 million bales of cotton, 119 million pounds of dried milk, 236 million pounds of cheese and other dairy products with total exports of agricultural products amounting to 4.1 billion dollars for the Fiscal Year 1951-52.

After fiscal year 1951-52, however, the total value of agricultural exports dropped to \$2.8 billion. Wheat exports went down from 475 million bushels in 1951-1952 to 318 million in 1952-53 (33%), cotton from 5.8 million bales to 3.1 million (47%), dried milk from 119 million pounds to 97 million (18%), and cheese and other dairy products from 236 million pounds to 163 million (31%). These sharp changes required adjustments on 5 million American farms to the new lower level of demand.

Downward Adjustments

Between 1953 and 1955, painful and costly adjustments to the new reduced demand situation have been undertaken by American agriculture. Wheat acreage has been cut from 78 million to 55 million (29%), cotton acreage from 25 million to 17 million (32%), and rice acreage from 2.2 million to 1.8 million (18%).

Wheat support prices have been dropped progressively from \$2.50 a bushel to \$2.26, to \$2.06, and to \$1.81 for the 1956 crop. Support prices of other major farm products have dropped similarly.

As a result of these adjustments farm income from these internationally traded agricultural products has dropped from 1952 to 1954 on wheat from \$2217 million to \$1862 million (16%), on cotton from \$2585 million to \$2285 million (12%), and on rice from \$291 million to \$258 million (11%).

The farmers of no other country in the world have made the drastic downward adjustments in the acreage planted to "basic crops" that U.S. farmers have had to make as a result of the greatly reduced foreign demand

for agricultural products. Based on 1945-1949 averages, the acreage in wheat in competing exporting countries increased from 69.7 million to 78.0 million in 1954 (12%), in cotton from 20.6 million to 30.6 million (49%), and in rice from 174 million to 193 million (11%).

U.S. Production Policy

Upward adjustments in production to meet increased world needs for internationally traded agricultural products were made up U.S. farmers as soon as these needs became apparent. Now that farm production, which had been disrupted by war in some countries, has recovered, adjustments to meet decreased world needs for internationally traded agricultural products have been made largely by U.S. farmers. As a matter of fact, some of the countries which should have adjusted production downward, actually further expanded their production and still others increased their output beyond their usual levels in order to reduce imports.

U.S. Price Policy

In the period of scarcity during World War II and in the years immediately thereafter when there were not enough agricultural products to meet world needs, the U.S. price ceilings made our farm products available on world markets at prices lower than otherwise might have prevailed.

Since 1952 world agricultural production has exceeded effective demand, and U.S. price supports, in effect, have been an umbrella over the prices of farm products in international markets. Thus the U.S. almost alone has made the adjustments which others should have shared to a greater extent and at the same time it has protected the international price structure for these commodities.

U.S. Price Support

Notwithstanding the domestic price support program, many U.S. agricultural products are competitive in world markets.

In wheat, we are believed to be least competitive. The U.S. domestic price for wheat has recently averaged above world prices and subsidies have been necessary to meet foreign competition. However, of the 7 principal wheat-exporting countries of the world, the U.S. domestic support price in 1954-55 was the third lowest. Of the wheat-exporting countries only Australia and Canada have lower domestic price support than the U.S. Price support levels in these two countries are maintained at lower levels because the primary purpose of these wheat crops is for shipment to foreign markets and they must be highly competitive from a price standpoint. In contrast, the bulk of each year's U.S. wheat production is consumed domestically.

The U.S. has been the residual supplier for cotton and with a firm export sales policy based on the level of our domestic support price, we are able to sell only 3 to 4 million bales a year. With a relatively stable

world demand for cotton from year to year, foreign cotton producers can set prices just below the level of U.S. cotton and thereby market most of their production. The U.S. domestic price support program for cotton serves to protect the foreign exchange earnings of a number of countries; Brazil, Egypt, Pakistan and Mexico, to name a few.

U.S. tobacco, soybeans and feed grains are generally competitive in world markets. In the case of lard, animal byproducts, and many poultry products, the U.S. is freely competitive. Although our dairy products are supported at levels above some competing exporters, it should be kept in mind, for example, that butter prices in many countries range upward from \$1 a pound.

U.S. Surpluses

In dealing with its surpluses, the U.S. is exercising continuing restraint and consideration of competing exporters in maintaining stability in world markets. It has devised means of moving these products into world markets without unduly disrupting world prices.

Our surpluses of dairy products have been reduced about one-half in the last year without disorganizing world markets in dairy products. At this time there is no burdensome surplus of fats and oils and prices have been strengthened while we were liquidating the surplus that existed a year earlier.

Nearly one billion bushels of wheat are held by the Commodity Credit Corporation. Approximately 650 million bushels are used domestically each year for food, feed and seed. Also something over 250 million bushels are exported annually. This means a current year's crop represents about the extent of wheat supplies available in the U.S. to meet emergencies.

U.S. wheat acreage has been reduced to the minimum permitted by law. Price supports have been generally reduced with further discounts on all except the more desirable milling varieties of wheat in an effort to bring supplies in line with demand.

U.S. Import Controls

Section 22 of the Agriculture Adjustment Act of 1933, as amended, and Section 104 of the Defense Production Act of 1950, as amended, provide the authority under which regulations have been issued to control or restrict the importation of agricultural commodities at a level which will not materially interfere with programs of the U.S. Department of Agriculture.

U.S. import controls under these authorities have been relatively negligible when compared with dollar currency controls, import licenses and other devices used in other countries to impede and prevent agricultural imports from the U.S.

The imports of cheese were most affected by controls.

However, these controls have not reduced the total quantity of cheese imported by the U.S. During the 5 years before cheese imports were placed under controls the U.S. imported an average of 28 million pounds annually. The first year that quotas were in effect on certain types of cheese under Section 104, the U.S. imported approximately 50 million pounds of cheese. The U.S. continues to import 56 million pounds of cheese and only about 20 million pounds of this quantity are subject to license under import controls.

Section 22 quotas on barley and oats have been so large that the quotas have not been filled. Other Section 22 quotas have been liberal.

Section 104 of the Defense Production Act of 1950, as amended, expired June 30, 1953.

The Agricultural Trade Development
and Assistance Act of 1954 (as amended)

This Act, generally known as Public Law 480, 83 Congress authorizes the sale, for foreign currencies, of those agricultural commodities which the Secretary of Agriculture determines to be in surplus. Sales made under Title I of PL 480 are made under a policy of providing additional food and fiber that otherwise would not have been available to the people of other countries. These sales have contributed to price stability.

Concessions in price have not been made in any sales for foreign currencies. The importers have had to pay the private U.S. exporters the same prices under PL 480 that they would have had to pay in dollars. In some instances, sales made under PL 480 have relieved the strain on the participating country's treasury, permitting the purchase of products from third countries. Also trade with other friendly countries is protected in accordance with the law. Most of the proceeds from PL 480 have been used for economic development and for increasing the foreign earning capacity of the participating countries. This is of benefit to all exporters.

PL 480 has been implemented with restraint and careful consideration of the interests of competing exporters. It has become an additional tool in the constructive use of surpluses, which has made possible the accomplishment of its objectives in an orderly and constructive manner.

The U.S. Farmer and International Trade

The American agricultural community, led by all national farm organizations supports a U.S. foreign economic policy to expand mutually advantageous international trade.

The policies of each of these national farm organizations support the elements of a U.S. foreign economic policy that benefits trade at home and abroad. These national farm organizations and others of the farm community are among the few politically influential groups that have consistently supported U.S. participation in the Trade Agreements Acts, General Agreement on Tariffs and Trade, Organization for Trade Cooperation in the International Finance Corporation.

The American agricultural community has been a powerful public influence in supporting technical assistance and foreign economic aid to friendly countries, even though some of this aid has been used to increase competition with U.S. agricultural exports. Furthermore, the U.S. agricultural community was among the few influential groups in the domestic economy which opposed import limitations or increased tariffs on such commodities as watches, potash, and bicycles. It has opposed the U.S. Cargo Preference Act.

The U.S. agricultural community represents the best hope for creating a cooperative group in the U.S. in support of the elements of a U.S. foreign economic policy which will expand mutually profitable international trade.

USDA Policy

The U.S. Department of Agriculture, in keeping with the desires of the American agricultural community, seeks increasing access to foreign markets for U.S. farm products on a competitive and non-discriminatory basis. This is a reasonable objective.

Summary

The foregoing comments should not be interpreted to mean that no further adjustments need to be made in the domestic agricultural program. There are many and major adjustments in the domestic agricultural program of the U.S. that are under consideration.

These statements are made simply to show that great and costly adjustments already have been made in a relatively short period in order to alleviate the agricultural surplus problem. The U.S. agricultural policies should be considered in the perspective of the total adjustments that have been made both upward and downward by American agriculture since 1940 and with the adjustment needed in other countries.

The domestic program should be modified to encourage the production of farm products of the quality and quantity that are demanded in foreign and domestic markets.

Price in a free economy is the principal device for allocating resources to the production of products demanded in the market. There remains an urgent need to adjust the level of domestic price supports on internationally-traded farm products to discourage production in excess of market demands and to encourage production of products with the relatively stronger demands.

There is need to adjust the domestic farm program to keep agricultural commodities available for export in private trade channels and out of the hands of the Commodity Credit Corporation. In the meantime, while these adjustments are being made in domestic production and price policy, we must vigorously pursue means to preserve our traditional place in world markets.

Wheat and wheat flour: World exports, by principal countries,
averages 1900-53, annual 1945-54

| Year beginning July | United States 1/ | | | Canada 2/ | | | Australia | | | Argentina | | | Eastern Europe 3/ | | | Other | | | Total 2/ |
|---------------------------|------------------|-----------------------------|-------------|---------------|-----------------------------|-------------|---------------|-----------------------------|-------------|---------------|-----------------------------|-------------|----------------------|-----------------------------|-------------|---------------|-----------------------------|-----|-------------|
| | Quan- tity | Percent- age of total | Mil. bu. | Quan- tity | Percent- age of total | Mil. bu. | Quan- tity | Percent- age of total | Mil. bu. | Quan- tity | Percent- age of total | Mil. bu. | Quan- tity | Percent- age of total | Mil. bu. | Quan- tity | Percent- age of total | | |
| | | | | | | | | | | | | | | | | | | | |
| Average: | | | | | | | | | | | | | | | | | | | |
| 1900-09 4/ | 155 | 26.0 | 38 | 6.4 | | 26 | 4.4 | | 84 | 14.1 | | 231 | 38.7 | | 62 | 10.4 | | 596 | |
| 1910-19 4/ | 183 | 27.5 | 128 | 19.2 | | 55 | 8.3 | | 89 | 13.4 | | 130 | 19.6 | | 80 | 12.0 | | 665 | |
| 1920-29 4/ | 222 | 26.4 | 267 | 31.8 | | 89 | 10.5 | | 154 | 18.4 | | 40 | 4.8 | | 68 | 8.1 | | 840 | |
| 1930-39 4/ | 75 | 10.6 | 201 | 28.3 | | 114 | 16.1 | | 130 | 18.3 | | 89 | 12.5 | | 101 | 14.2 | | 710 | |
| 1945-53 | 384 | 42.1 | 279 | 30.6 | | 90 | 9.9 | | 72 | 7.9 | | 36 | 3.9 | | 51 | 5.6 | | 912 | |
| 1945 | 391 | 45.7 | 361 | 42.1 | | 36 | 4.2 | | 68 | 7.9 | | --- | --- | | 1 | 0.1 | | 857 | |
| 1946 | 397 | 52.4 | 232 | 30.6 | | 47 | 6.2 | | 60 | 7.9 | | 6 | 0.8 | | 16 | 2.1 | | 758 | |
| 1947 | 486 | 51.8 | 209 | 22.2 | | 96 | 10.2 | | 102 | 10.9 | | 40 | 4.3 | | 6 | .6 | | 939 | |
| 1948 | 504 | 51.1 | 222 | 22.5 | | 122 | 12.4 | | 61 | 6.2 | | 53 | 5.4 | | 24 | 2.4 | | 986 | |
| 1949 | 299 | 36.2 | 236 | 28.6 | | 114 | 13.8 | | 88 | 10.7 | | 54 | 6.6 | | 34 | 4.1 | | 825 | |
| 1950 | 366 | 39.0 | 221 | 23.6 | | 127 | 13.6 | | 103 | 11.0 | | 37 | 3.9 | | 84 | 8.9 | | 938 | |
| 1951 | 475 | 44.6 | 347 | 32.6 | | 99 | 9.3 | | 30 | 2.8 | | 54 | 5.1 | | 61 | 5.6 | 1,066 | | |
| 1952 | 318 | 32.2 | 392 | 39.7 | | 99 | 10.0 | | 29 | 3.0 | | 48 | 4.9 | | 101 | 10.2 | | 987 | |
| 1953 | 217 | 24.7 | 288 | 32.7 | | 71 | 8.1 | | 110 | 12.5 | | 45 | 5.1 | | 148 | 16.8 | | 879 | |
| 1954 | 270 | 28.7 | 255 | 27.1 | | 90 | 9.5 | | 130 | 13.8 | | 5/ | --- | | 5/197 | 20.9 | | 942 | |

1/ Excludes the wheat equivalent of exports of flour milled in bond. Includes principal products other than flour.

2/ Includes exports of "wheat unfit for human consumption" from Canada to U.S. as follows: 1950-51, 12 mil. bu.; 1951-52, 30 mil. bu.; 1952-53, 20 mil. bu.; 1953-54 and 1954-55, 4 mil. bu.-- Also includes wheat exported to the U.S. a part of which was milled in bond and later exported by the U.S.

3/ Includes U.S.S.R.

4/ Calendar years.

5/ Eastern Europe combined with "other".



